



## Summary of the March 18, 2015 Board of Directors Meeting

The following individuals were present at the meeting:

### Directors and Alternates, Acting as Directors:

- Kurt Tong (attending for John Kerry, Secretary of State, Chair);
- Alexia Latortue (attending for Jacob Lew, Secretary of the Treasury, Vice Chair);
- Mary Ryckman (attending for Ambassador Michael Froman, United States Trade Representative (USTR));
- David Atteberry (attending for Ambassador Alfonso Lenhardt, Acting Administrator, U.S. Agency for International Development (USAID));
- Dana Hyde, Chief Executive Officer, MCC;
- Morton Halperin, Private Sector Board Member;
- Susan McCue, Private Sector Board Member; and
- Chris Tuttle (attending for Mark Green, Private Sector Board Member).

### Invited Guests (at all or a portion of the meeting):

- Gayle Smith, Special Assistant to the President and Senior Director, National Security Council (NSC); and
- Fouad Saad, Office of Management and Budget.

### Other Participants:

1. Lisa Kubiske (State +1)
2. Parita Shah (MCC+1)
3. Paula Tufro (NSC +1)
4. Daniella Ballou-Aares (State)
5. Roland DeMarcellus (State)
6. Todd Kushner (State)
7. Etienne LeBailly (State)
8. Rachel Fredman (Treasury)
9. Luke Ney (USAID)
10. Catherine Trujillo (USAID/OIG)
11. William Cole (OMB)
12. Maame Frimpong (MCC)

13. Paul Weinberger (MCC)
14. Beth Tritter (MCC)
15. Matt Bohn (MCC)
16. Kamran Khan (MCC)
17. Thomas G. Hohenthanner (MCC)
18. Tom Kelly (MCC)
19. Jonathan Bloom (MCC)
20. Kyeh Kim (MCC)
21. Cindy Huang (MCC)
22. Jonathan Brooks (MCC)
23. Emily Waechter (MCC)
24. Jim Mazzearella (MCC)
25. Laura Leussing (MCC)
26. Chris Dunn (MCC)
27. Lia Hanley (MCC)
28. Chris Maloney (MCC)
29. Doug Mason (MCC)
30. Jonathan Richart (MCC)
31. Cherita Nichols (MCC)
32. Pamela Woodard (MCC)

1. The meeting was called to order at 10:07 a.m. The Board approved the minutes from the December 10, 2014, Board meeting, and the January 6, 2015, Audit Committee meeting.
2. *CEO Update.* Ms. Hyde expressed appreciation for the contributions to MCC of former Board member USAID Administrator Raj Shah, noting his strong legacy in development. Mr. Tong echoed the CEO's comment, citing Dr. Shah's excellent leadership of USAID. Ms. Hyde then provided country and management updates.

First, on country updates: (a) Ms. Hyde reported on her March visit to Niamey, Niger, during which President Issoufou expressed urgency in development of a compact to address the management of scarce water resources. Regional security considerations are being taken into account in development of the compact. MCC is working with the U. S. Embassy in Niger to ensure protection for staff in the field. Appreciation was expressed for the assistance of State and USAID in this effort. (b) Appreciation was also expressed by Ms. Hyde for the assistance of the interagency working group lead by State in bringing together representatives from MCC, State and USAID in a February meeting with Nepal's President, Prime Minister, civil society, the private sector, and other donors, including the Asia Development Bank (ADB) and the World Bank, regarding work on the country's reform agenda. The government of Nepal is showing strong commitment toward reforms in the energy sector and to contributing to increased regional trade and opportunities. ADB and the World Bank are also pressing for reforms and are enthusiastic about MCC work with them in the sector. Ms. Latortue offered to share with MCC a detailed energy sector report from a recent joint Treasury-USAID trip in Nepal. (c) Ms. Hyde will meet in late March with the new government in Indonesia. MCC will work with Ambassador Blake in reinforcing shared benefits of the U.S.-Indonesian comprehensive partnership. (d) Upon signing the Guatemala threshold program in April, MCC will be engaged in Central America in all three northern triangle countries. The presidents of the three countries have expressed confidence in

MCC and are considering MCC's operational model for implementation of their Alliance for Prosperity commitments. (e) MCC will lead its first ever trade mission to Africa with the Commerce Department this summer to showcase policy reforms and the enabling environment created by MCC's investments, inviting U.S. businesses to invest. A report on the mission will be provided at the June Board meeting. (f) On Vanuatu, it was noted that communication with the government was disrupted by Cyclone Pam. Damage to some of the roads built under the MCC compact is suspected. The situation is being monitored and an assessment of actual damage will be provided when the information becomes available.

Following Ms. Hyde's country update, Ms. Kubiske thanked MCC for encouraging reforms in Tanzania. Mr. Tuttle noted Ambassador Green's belief that a number of steps still need to be taken by the Government of Tanzania. However, Mr. Tuttle reported that Ambassador Green is encouraged by the progress and relayed his compliments and gratitude to Ambassador Childress, the U. S. Government and the country team in Tanzania. MCC will provide a fuller report at a later date on its assessment of the Government of Tanzania's progress on meeting conditions for a compact and on energy sector reforms.

On management updates: (a) Ms. Hyde reported that a new security director has been hired to build and manage MCC security operations. (b) New senior staff members Nancy Lee, Deputy Chief Executive Officer; Beth Tritter, Vice President for Policy and Evaluations (VP DPE); and Maame Frimpong, Vice President, General Counsel and Corporate Secretary, were introduced. (c) On March 17, Ms. Hyde and Ambassador Lenhardt presented budget testimony in support of foreign assistance to a committee of the House of Representatives. Four themes guiding MCC's work into FY 2016 were underscored: (1) forging new and deeper partnerships in critically important regions; (2) promoting regional investments, for which authority is being sought as part of the budget request; (3) driving transparency and improving data in learning; and (4) leveraging private sector investment. (d) Anticipated agenda items for remaining 2015 Board meetings were identified as: (1) reports on performance around close out of the Senegal and Moldova compacts; (2) presentation for Board approval of compacts with Benin, Liberia, Tanzania and Morocco, and a threshold program in Sierra Leone; and (3) assessments related to (i) the Selection Criteria and Methodology Report, (ii) a five year strategic plan now under development, (iii) results and evaluation related to MCC's efforts on building and rehabilitating roads, (iv) a framework for regional investments, and (v) review of and recommendations about the future direction of the threshold program.

Ms. McCue and Ms. Latortue commended Ms. Hyde on her overview and congratulated her on the additions to MCC's management team. Mr. Tong noted interest in and usefulness of MCC's five-year strategic plan. He commended and encouraged work toward regional compacts.

3. *Refining Compact Development.* Chris Dunn then presented information to the Board on refinements to MCC's development process. Through internal review and integration of lessons learned, six recommendations were developed: (1) enhance MCC's initial engagement with country partners; (2) expedite MCC's staffing and resource allocations to match more rapid recruitment of country partner counterparts; (3) streamline the preliminary analysis phase through

integration of economic, social and gender, and private sector analytical tools to identify a single set of binding constraints on which the compact will focus; (4) establish earlier approval opportunities for MCC management; (5) leverage MCC structure to formalize its rigorous technical review process in ensuring that high quality standards are maintained through the expedited process; and (6) capture these changes and ensure clear communication of expectations through improved guidance for MCC teams and country partners, and development and implementation of new internal administrative tools to more effectively and consistently track compact development progress. MCC's commitment to transparency and close coordination will continue under the new approach.

Following the presentation, Ms. McCue questioned the timeline which was reported to have become in the mid-30's range of months for development, indicating the need for more rigor around targets. Under the refined process, a goal of compact signing within twenty-four to twenty-eight months from selection was stated as a benchmark against which time, cost and quality trade-offs can be better assessed. Mr. Khan identified key considerations given to streamlining the process without impeding quality of MCC programs: (1) the need to get all engineering design technical details done before signing, (2) recognition that leverage diminishes after signing, (3) focus on policy reform as critical to achieving the desired impact, and (4) leveraging private capital early in compact development. Ms. Hyde noted the importance of setting timeline expectations with country partners within the first 90 days to get teams constituted and assessments performed.

Ms. Latortue commended MCC for its work on improving processes in its reflection on the compact development timeline and in the strategic planning, noting the benefit of expediting recruitment of strong country and core teams in development and as providing an opportunity for deeper engagement with the Board. Expressing support for integration of the economic, social and gender, and private sector analytical tools, Ms. Latortue cautioned the need to ensure the right expertise is fully integrated as well and that speed and quality remain equal partners in the process. Ms. Latortue also questioned whether and how MCC monitoring and evaluation (M&E) teams are incorporated in technical reviews. Mr. Dunn advised that M&E team members are on country teams involved in program development from the beginning, focused on technical review and looking at metrics and measures for results and outcomes in a program.

Ms. Latortue, Ms. Ryckman and Ms. Kubiske emphasized the importance of capacity building in partner countries. The Board was assured that capacity building within the MCAs is and will remain a proactive, necessary driver of MCC's programs. A team lead by the DECO is looking at MCC's results framework which includes commitment to systematic capture of data around core capacity building through MCC compacts.

Ms. Ryckman reiterated availability of USTR's trade policy expertise to MCC. Ms. Hyde committed to MCC's use of USTR human capital resources going forward and to purposeful consideration of ways trade policy can be integrated without changing the constraints analysis altogether.

4. *MCC's Approach to Climate Change.* Doug Mason followed with an overview of MCC's approach

to climate change and climate resiliency.

Addressing climate change is significant in MCC's mission as: (1) it represents a threat to economic growth and the poor who are often in the most vulnerable areas and possess the fewest resources to adapt; (2) MCC is committed to implementing the IFC Environmental and Social Performance Standards to assess the risks and impacts of climate change and consider opportunities such as energy efficiency or ways to reduce greenhouse gas emissions; and (3) MCC is also extremely committed to implementing mandates under the President's executive order establishing specific requirements and opportunities for all U.S. Government international development agencies. In addressing climate change as part of the process of ensuring investments are both effective and sustainable, MCC collaborates closely with many U.S. Government agencies.

Examples cited of climate change resilience and mitigation measures that have been incorporated into MCC project designs include: (1) adaptation measures in a roads project in the Philippines that allowed approximately 200 kilometers of roads rehabilitated and upgraded by an MCC project to remain largely intact following Typhoon Haiyan and serve as a crucial artery in emergency response; (2) use of rainfall for irrigation in Niger; (3) reduction of greenhouse gas emissions and investment in efficient infrastructure in Ghana; (4) clean energy exploration in Benin; (5) the Green Prosperity Project in Indonesia; and (6) use of MCC infrastructure as an incentive for institutional reform in Cabo Verde's long term planning that takes into account anticipated rainfall reduction and threat to fresh water supply as sea level rises.

There are three elements of MCC's strategy: (1) systematic consideration of climate risks and opportunities; (2) integration of the results of identified risks analyses into the project development process; and (3) leadership through partnerships with partner governments in discussions of how consideration of climate change risks and opportunities can help their operations, and in collaboration among U.S. Government agencies to pool ideas, link to science agencies, learn from the domestic experience in the United States, and leverage the resources of the U.S. Government as a whole. MCC's ability to make cost data available to support promotion of climate resiliency as a valuable initiative rather than as simply a safeguard was also noted.

Following the presentation, Mr. Atteberry referred to NASA and the Surveyor Program as a growing useful tool for work in Nepal. Ms. Ryckman commended the presentation and offered USTR assistance in the area of international rules and regulations on setting technical standards and labeling requirements, and encouraged increased MCC/USTR collaboration. Ms. Kubiske expressed appreciation for the presentation, the work of incorporating climate change mitigation into MCC's investments, and the help in demonstrating the integration and practicality of incorporating climate change mitigation which will be helpful in negotiations. Ms. Latortue relayed the appreciation of Treasury's energy and environment team for MCC's strong role and collaboration in the interagency process around implementing the executive order.

Ms. Latortue also expressed approval of systematizing climate resilience into projects, encouraged MCC integration into broader international development discussions around the issue of costs of

integrating adaptation and mitigation, and urged focus on how to get to scale on the mitigation work.

In response to Ms. McCue's inquiry, the Board was advised that the Indonesia private sector engagement is with companies with massive operations in the country who are looking to do good business and good for the environment. MCC's engagement comes through a variety of modalities, including competitively selected matching grants and mechanisms such as indexed tariffs by which the Government of Indonesia can jump start its renewable energy market and through which MCC leaves behind a process and framework for the government to replicate going forward.

Ms. Kubiske made a call for MCC consideration of compacts for small population states, noting significant climate change concerns for many small population states, which are often small island nations, pointing to Vanuatu as an example of the value.

Ms. Hyde closed by thanking the MCC team for their work and the Plus Ones and BRIA for their input.

The meeting adjourned at 11:23 a.m.